

COMMITTEE ON LEGISLATIVE RESEARCH
 OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3217-02
Bill No.: SB 648
Subject: Taxation & Revenue--Property; Political Subdivisions; City of Saint Louis
Type: Original
Date: January 21, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> State Funds *	\$0	\$0	\$0

*Does not include possible increased cost for Foundation Formula.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Political subdivisions	\$0 - (Unknown)	\$0 - (Unknown)	\$0 - (Unknown)
Local Government	\$0 - (Unknown)	\$0 - (Unknown)	\$0 - (Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the office of the **Secretary of State** assume no fiscal impact to their organization.

Officials from the **Department of Revenue** assume no administrative impact to their agency.

In response to a similar proposal, officials from the **State Tax Commission** assume 2002 assessed valuation is \$70 billion and property tax revenue amounts to \$4.2 billion for local political subdivisions. Assuming 3.5% CPI growth, the potential loss in local revenues would be \$4.2 billion times 3.5% resulting in \$147 million. Assuming no growth in 2004 and an increase in assessed valuation due to new construction or improvements of \$1.8 billion, the potential loss in revenues for 2005 would be \$71.8 billion times tax rate of \$6 per \$100 assessed valuation times 3.5% CPI equaling \$151 million.

In a more recent response, the **State Tax Commission** provided an updated estimate of \$68 billion for 2002 assessed valuation.

Oversight assumes there could be lost tax revenues to political subdivisions but only after one or more political subdivisions voted to eliminate the property tax rollback inflation adjustment. Oversight assumes elections (if any) could be held beginning in FY 2003, and the first year taxes could be affected by the proposal would be 2003 taxes collected in FY 2004. Oversight has ranged the impact in reduced tax collections, and potential local elections costs from \$0 to Unknown.

Officials of the **Department of Elementary and Secondary Education**, in response to a similar proposal in a prior session, noted that the proposal would reduce the local deductions in the Foundation Formula thus increasing cost to fully fund the Formula.

Oversight assumes the Foundation Formula issues, if any, would be addressed through the appropriation process and has not included any provision for increases in foundation formula funding in the fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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POLITICAL SUBDIVISIONS

<u>Loss</u> - Reduced Property Tax Collections	\$0 - (Unknown)	\$0 - (Unknown)	\$0 - (Unknown)
<u>Cost</u> - Local elections	<u>\$0 - (Unknown)</u>	<u>\$0 - (Unknown)</u>	<u>\$0 - (Unknown)</u>

**NET EFFECT ON POLITICAL
SUBDIVISIONS**

<u>\$0 - (Unknown)</u>	<u>\$0 - (Unknown)</u>	<u>\$0 - (Unknown)</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would allow counties and the City of St. Louis to vote to eliminate property tax levy rollback adjustments for inflation. The local option could be approved by the governing body by ordinance, the option could be submitted to the voters, or the voters could initiate the option by referendum.

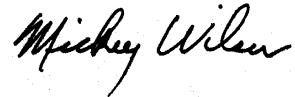
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Secretary of State
Department of Revenue

NOT RESPONDING

State Tax Commission

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Acting Director
January 21, 2002